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SECURITY INFORMATION

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GENERAL

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1. Chinese Communists negotiate purchase of Chilean copper: The Chinese Communist Government has reportedly negotiated the purchase of 6,000 tons of electrolytic copper from Chile. The transaction is being handled through middlemen in Switzerland who are reputedly able to furnish the affidavit of final destination necessary for obtaining possession of the copper in Chile. The copper will be routed via Antwerp and Gdynia.

Comment: During the period of the US-Chilean copper agreement, from 8 May 1951 to 2 May 1952, known and probable diversions of Chilean copper to the Orbit totalled 13,361 tons. None of this is known to have gone to China.

The Central Bank of Chile, which administers copper sales, demands that foreign purchasers supply non-re-export guarantees, but has approved purchase orders with only cursory investigation. The Chilean Government recently indicated that it would accept a delivery verification certificate procedure on a government-to-government basis.

SOUTH ASIA

2. Afghanistan rejects Soviet protest on oil-drilling operation: The Afghan Government has rejected the Soviet demarche protesting preparations by a French firm to drill for oil in northern Afghanistan, claiming that the oil-drilling project is a purely internal matter.

The Afghan Foreign Minister has stressed to the American Embassy the seriousness of the Soviet protest, the possibility of unrest if the government fails to improve economic conditions in northern Afghanistan, the friendship

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of Afghanistan for the United States and its desire for American assistance. The Foreign Minister said that settlement of the frontier dispute with Pakistan was now essential, though he failed to indicate whether Afghanistan was prepared to offer any concessions. (S S/S Kabul 125 and 126, 10 Sept 52)

Comment: There is no evidence that the USSR plans drastic action at the moment. On the other hand, it is presumably prepared to increase pressure on the Afghan Government if this and UN-conducted economic projects in north Afghanistan are not abandoned.

Afghan ability to withstand Soviet pressure depends upon the solution of such complicated problems as settling the dispute with Pakistan, which cannot be easily or quickly done.

3.

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LATIN AMERICA

4. Chilean-US military assistance agreement to be campaign theme: A prominent Ibanista leader has stated that the desire for abrogation of the Chilean-US military assistance pact will continue to be used as campaign material in the March 1953 congressional election. He said that "denunciation of the pact prior to the election will prove ... that the Ibanistas intend to fulfil promises."

The US Embassy in Santiago comments that when Ibanez learns the details of certain Chilean verbal commitments to the United States, the Ibanistas may use this information in

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their campaign and charge that President Gonzales Videla was "again attempting to sell the country down the river by establishing a secret military base behind the backs of Congress and the public." (S S/S Santiago 81, 9 Sept 52)

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